We are at a pivotal point in our transformation. I commend you on your efforts to date; they have been both noteworthy and noticed, and our credibility is at an all-time high. It has been challenging to arrive at where we are, and I have asked a lot of you. You responded, unfailingly, with commitment and dedication, and I sincerely thank you for that.

Your commitment to supporting our Nation and Navy has set the stage for us to bridge to the future. There is still much to be done, and it will be harder than ever as we move from the conceptual to the actual. We must become more agile, more effective, more efficient, and more responsive than ever before. This guidance lays out how we will achieve this. The application of Lean/Six-sigma principles across the organization, the use of the Cost Reduction Disposition Process, and fully implementing our Human Capital Strategy will make us more agile and more efficient, while still safeguarding our ability to meet our mission in the future.

I strongly encourage you to read CNO Guidance 2005. There are many actions in which we need to engage, even where we are not listed as an action officer. I expect each of you to establish the necessary partnerships needed to ensure CNO gets the most complete answer to each of his actions.

Keep charging. You are making a difference.

P. M. BALISLE
Vice Admiral, U. S. Navy

NAVSEA COMMANDER'S GUIDANCE 2005
Institutionalizing our Transformation

INTRODUCTION

2005 marks the next significant step in the continued transformation of NAVSEA. Our focus this year continues the journey we began over two years ago. Using the phased approach, shown in Figure 1, we laid the foundation necessary to institutionalize continuous improvement, focus on shaping our workforce, efficiently run our business using Lean and Six-sigma principles, and capture savings to support recapitalization of our Navy.
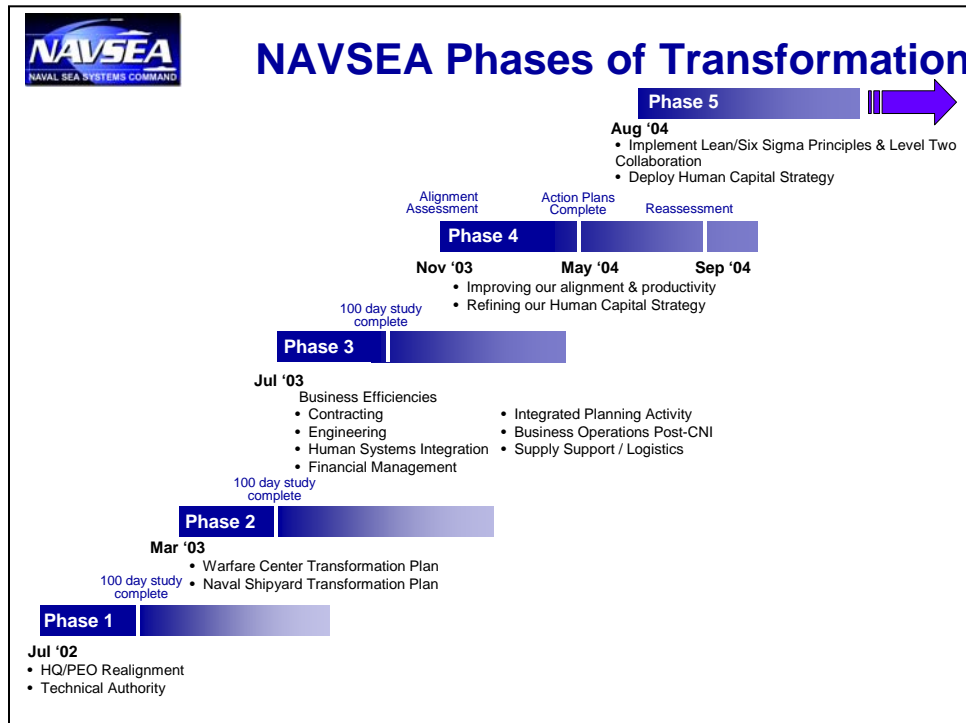

Figure 1

To aggressively execute the actions necessary in 2005, we must first understand the accomplishments that set the stage for this phase of our transformation.

HIGHLIGHTING OUR SUCCESSES

In 2004 we completed the major actions of Phase 4 of our transformation by refining our Human Capital Strategy and improving aspects of our alignment necessary to improve our productivity. Our first alignment assessment in late 2003 provided insight into needed focus areas, and we attacked those areas with task teams and developed plans for improvement in every Line of Business. The positive results of our efforts were validated in the second alignment assessment, where we saw improvement in nearly every sector of our business. We made significant improvements in the areas of Reward and Recognition,

Level Two Collaboration, and Innovation. Our unparalleled response rate of over 63% on the recent assessment reflects your dedication and commitment to continuing and improving our transformation efforts and our alignment with Navy goals. In addition to our alignment and Human Capital Strategy efforts, we completed significant efforts in the following areas:

- We conducted 17 Execution Reviews with Echelon 3 and 4 Commands. The Commanding Officers presented their Execution Plans, performance metrics and strategies in support of our Command and CNO's 2004 Guidance. More importantly, multiple Commanding Officers and senior leaders attended every review, allowing us to effectively share lessons learned and accelerate our transformation from a conglomerate of individual businesses into a collaborative corporate enterprise.

- We strengthened our leadership role in Technical Authority, ensuring our products and services provide the most effective and safe platforms, systems, and support for our sailors. Our basic Technical Authority processes and accountability have been adopted across the Virtual SYSCOM, ensuring clear lines of authority and accountability for products across the Navy enterprise.
    - o In order to ensure the continuity of Technical Authority in the future, we developed and implemented the Human Capital Digital Dashboard (HCDD), an automated health assessment tool for technical leaders to measure and evaluate critical areas of our workforce. Populating our technical authority pyramids, using the HCDD to evaluate the health of those pyramids, and linking HCDD with the Warfare Center Work Acceptance and Assignment Process will give us the tools necessary to ensure our ability to safeguard our future Navy. This forms a key cornerstone of our Human Capital Strategy.
    - o We sought and obtained, for the first time, a "first installment" of dedicated funding for the independent execution of Technical Authority, a significant step toward a proper, balanced alignment of Technical Authority and Program Management Objectives.

- We shifted leadership of Distance Support to the Human Systems Integration Directorate to better align and leverage those two functions and to begin to implement the transformational Sea Warrior changes defined by Navy leadership. The Virtual SYSCOM adopted a baseline collaborative Distance Support business process for Fleet Readiness Support and defined a common Customer Relationship Management environment for support request documentation, workflow management, and data mining for metrics. Collaboration in support of Distance Support reach-back is changing the way our geographically diverse Warfare Centers work together to provide real time support to the warfighters. These efforts in Distance Support will also be key factors in shaping the future shore infrastructure of the Navy.
    - o CFFC established a Distance Support Executive Steering Committee to chart the course for Distance Support of the future and appointed NAVSEA 03 as the lead for the Distance Support Technical Advisory Group.

- We stood up Task Force Total Force to focus on fully developing and implementing our Human Capital Strategy. The Task Force's primary focus is to shape the

workforce by linking Command initiatives such as Lean implementation, hiring strategies, and the upcoming NSPS implementation, and collaborating with external organizations on human capital strategies and opportunities. The Task Force Total Force process, depicted in Figure 2 below, uses a system-of-systems approach to ensure all aspects of our business and all of our initiatives are integrated in the Human Capital Strategy. These efforts are being briefed to senior Navy Leaders and form our bridge to the Navy level Task Forces and Human Capital Strategy.
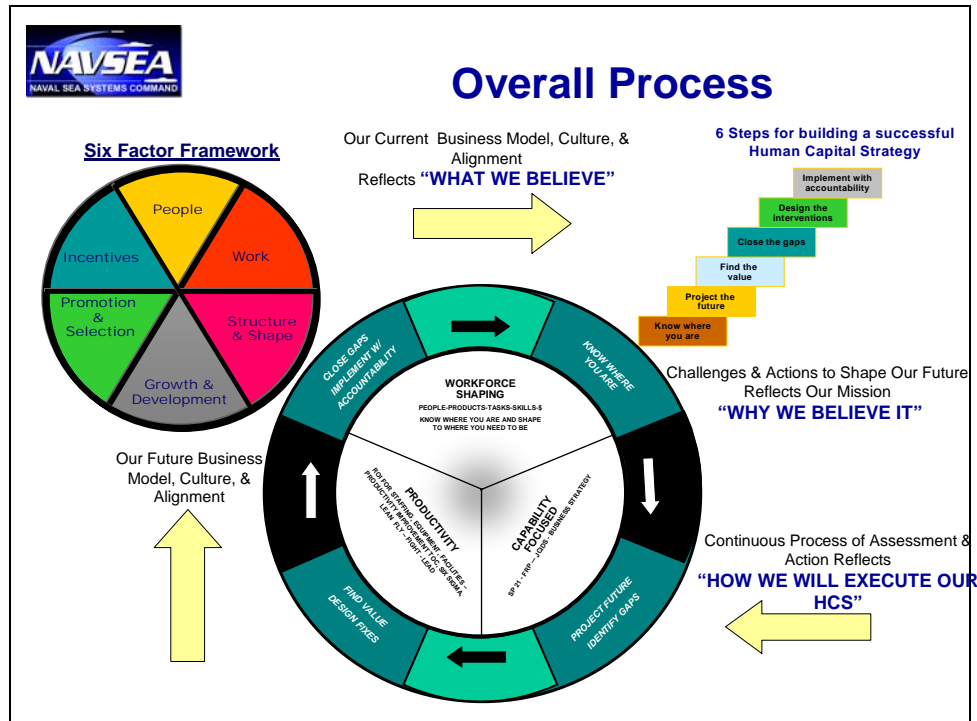

Figure 2

- We stood up Task Force Lean to guide the implementation of Lean and Six-sigma principles in our daily operations and maximize savings across all NAVSEA Organizations. The Task Force developed an implementation plan that will ensure promulgation of best practices, provide the link with industry to drive efficiencies, and maximize savings. We conducted 18 Executive Planning Sessions, 25 Value Stream Analyses, more than 350 Rapid Improvement Events, and trained over 4,600 of our employees on the basics of Lean. The momentum we've achieved will carry us through 2005 as we continue to find efficiencies and return money to the Navy. Lean implementation is also a key aspect of our Human Capital Strategy in terms of developing our people, performing work more efficiently, and redeploying our workforce to take advantage of the results of our Lean efforts.

- We supported the Navy's Intelligent Targets approach to provide a disciplined financial targeting process for POM-06, provide better control of budget reductions and minimize undistributed wedges. By identifying concrete targets for reduction across the FYDP, we were able to avoid traditional, highly disruptive wedges in POM-06. Lessons learned in this new process helped us facilitate Task Force Lean implementation and identify cost reductions and potential savings that can be

returned to the customers and Navy. The $325M the Naval Shipyard Transformation provided across the FYDP to the Fleet's ship maintenance budget is just one example of this effort.

- We expanded the use of our SEAPort support services contract vehicles and system to our Warfare Centers. SEAPort-e contracts were awarded in the various geographic areas around the country in support of our Warfare Centers Divisions. This accomplishment is now being expanded to support the Virtual SYSCOM. In support of surface ship maintenance, we also implemented Multi-Ship, Multi-Option (MSMO) contracts which offer business opportunities and advantages to industry while providing efficiencies and scheduling responsiveness to the Navy. Both efforts give us better return for Navy dollars, and change the way we define and order services and ship maintenance.

- The Warfare Center Product Area Directors (PADs) increased their understanding and management of workload by populating the Work Assignment Website to create an accurate database of work assigned to the Warfare Center enterprise. We used that data to begin realigning work to remove redundancies and capitalize on areas of expertise independent of geographic location. This process ensures we have the right work aligned with the right resources - a key element of our Human Capital Strategy. PAD recognition and support of the requirements of the Technical Authority areas also strengthen our technical authorities and safeguard our ability to maintain and/or grow them in the future.

- Working with CFFC, we developed the 2-year Surge Maintenance (SurgeMain) pilot to surge highly qualified Navy Selected Reservists into our Naval Shipyard workforce. SurgeMain will increase the flexibility of our One Shipyard workforce in support of the Fleet Response Plan, stabilize our workforce and reduce unnecessary overhead.

- A key element in institutionalizing our changes was the development and tracking of Level "A" Command Metrics. These metrics provide immediate insight into the details of our day-to-day execution, transformation implementation, and savings capture. We also developed metrics for each Line of Business and used these metrics to drive our business and cultural changes. This set the stage for tracking our progress in a meaningful way as we moved into Phase 5.

These are noteworthy examples of the many initiatives and achievements of the NAVSEA workforce in 2004. Collectively, they have shaped our corporate enterprise to move forward in 2005 to capitalize on business efficiencies and solidify a Human Capital Strategy Implementation Plan.

CHARTING OUR COURSE FOR 2005

"We must do all we can to increase the speed and agility of our great institution"
(CNOG p.9)

To "Institutionalize our Transformation" in 2005 our leadership efforts must focus on shaping our workforce to support the needs of Sea Power 21's Current Navy, Future Navy, and Navy After Next. Our efforts, from Task Force Lean, to Technical Authority, to Distance Support, have at their core an impact on the ultimate shape of our workforce, and must be coordinated to capture efficiencies and best shape our workforce for the future. Defined and coordinated by and through our task forces and executed under our Lines of Business, our efforts must focus on increasing the extent and depth of collaboration across the enterprise and ensuring the best educated, best trained, best compensated workforce to accomplish our mission in the most efficient and effective way possible.

In 2004, I began a series of Execution Reviews at the Echelon 3 and 4 activities. These reviews will continue in 2005, with the focus on mission execution and implementation of this 2005 Guidance.

The following guidance for 2005 uses our Human Capital Strategy as the lens to focus our efforts. Maintaining a focus on the strengths of our people will ensure our efforts to institutionalize transformation and inculcate a culture of continuous improvement will succeed.

HUMAN CAPITAL STRATEGY

Our Human Capital Strategy (HCS) will focus on building the 21st century NAVSEA workforce. This workforce has the following key attributes:
- Supports Sea Power 21 (Current Navy, Future Navy, and Navy After Next)
- Inseparably connected to our mission and therefore is ready to change as the demands of our operational environment change
- Flexible and responsive; ready to support changing requirements of the next decade (cross-trained and cross-educated)
- Maintains core Technical Authority competencies while posturing to support the needs of emerging technologies
- Agile and not geographically anchored; can surge to provide support where and when needed (One Shipyard plus)
- Collaborative and networked; provides real time operational support through Distance Support reach-back
- Both efficient and cost effective in running the business
- Leadership dedicated to continuous improvement

The *NAVSEA Human Capital Strategy Implementation Plan* (reference 1) developed by Task Force Total Force will unleash the power of our people. Corporate-wide implementation of our HCS is crucial to "deliver the right skills at the right time for the right work." *(CNOG p.10)*

A key element of our HCS is taking our human capital "pyramids" to the next level. We must expand the pyramid and assessment concepts to areas beyond engineering and

technical authority, maximize use of the Human Capital Digital Dashboard to make projections and shape our workforce, and identify areas for potential savings.

Guidance for Leaders:

- Task Force Total Force report on NAVSEA HCS accomplishments to CNO -by June 2005. *(CNOG p.11)*

- Task Force Total Force develop Command "A" Level metrics - by 1 March 2005.

- Each Line of Business develop and submit their respective HCS Implementation Plan - by 1 April 2005.

- Product Area Directors continue to eliminate redundancies identified through the Warfare Center Work Acceptance and Assignment Process. Warfare Center BOD will identify the FY06 goal and execution plan - by 1 August 2005 to support implementation at the start of the fiscal year.

- Warfare Centers/Product Area Directors create the linkage from the Work Assignment Website (WAW) tool to the Human Capital Digital Dashboard HCDD). Develop a stronger relationship between the in-house work and the Technical Authority needs of the Product Area and the Command – by September 2005.

- All major elements of the Command (HQ/PEO, Warfare Centers, Naval Shipyards and others) refine their staffing and hiring strategies - by June 2005.

- Contracting and financial communities complete the full population of their pyramids and conduct health assessments - by 1 June 2005.

- Each Echelon 3 and 4 activity present their Human Capital Strategy and Implementation Plan in detail at their next Mission/Execution Review following the format presented at the recently completed NSWC Crane Division Mission/Execution Review.

- Task Force Total Force develop the NAVSEA plan to implement Spiral 1 of NSPS Spiral Development - by March 2005.

- Task Force Total Force work with CNP to define diversity goals for civilian personnel - by 1 April 2005. *(CNOG p.12)*

- SEA 04 work with Navy Ship Maintenance Oversight Board (NSMOB) to stabilize the One Shipyard workforce and work to a 12% overtime target. Provide the plan by 15 March 2005.

- Shipyard Commanders work closely with the Deputy Commander for Mobilization to continue implementation of the SurgeMain initiative to establish efficient and effective assignment and integration processes using Lean methods and metrics. SEA 00Z provide quarterly updates to SEA 00 and CFFC - starting 15 March 2005.

- SEA 04 / Total Force Task Force work with OPNAV N4 to develop a common productivity metric and consistent accounting methods for direct and non-direct labor at all Navy public shipyards. *(CNOG, p.18)*

LEAN / SIX-SIGMA IMPLEMENTATION

Dovetailed with our Human Capital Strategy, the *NAVSEA Lean Implementation Plan* will shape the way we run our business in support of Sea Power 21. Our 21st century workforce will "lean" our business operations by:
- Focusing on the value added to the customer and maximizing their return on investment
- Eliminating redundancies and non-value added activities
- Leveraging continuous process improvement tools and methodologies (Lean, Six-sigma, Theory of Constraints)
- Prioritizing application of these tools and methodologies to the right value streams to achieve maximum results
- Sharing best practices and lessons learned across multiple enterprises
- Developing efficient and effective operations with the speed, agility, and responsiveness necessary to adapt to our changing environment
- Crossing public to private interfaces to maximize benefits in all sectors of the business
- Educating and developing our in house process improvement leaders and Lean / Six-sigma experts
- Aligning with Navy-wide Lean initiatives
- Identifying cost reductions and capturing savings

Rapid and broad adoption of Lean and Six-sigma principles is required to reduce our costs and maximize funds available to SECNAV and CNO for recapitalization of the Fleet. The *NAVSEA Lean Implementation Plan* (reference 2; cover memo attached) developed by Task Force Lean provides detailed guidance for implementing and documenting our Lean efforts.

> ### *Guidance for Leaders:*
> - Task Force Lean refine/report initial Command "A" level metrics for implementation and execution - by 1 March 2005.
>
> - Each Line of Business develop their respective Lean Implementation Plan - by 1 April 2005.
>
> - Each Line of Business complete the Lean actions agreed to at the 16 December 2004 NEC meeting:
>   - LOB and PEO Executive Leaders complete the process of identifying and agreeing on the value streams (VS) to be engaged to meet the $250M FY07 savings target (above the $200M intelligent target goals). Prioritize the VSs and develop a schedule for performing VSAs – by 15 February 2005.
>
>   - Line of Business leads and PEOs complete sufficient Value Stream Analyses (VSAs) to validate the savings target and complete sufficient Rapid Improvement Events (RIEs) and Projects to show we are on the model and achieving real savings - by 15 August 2005.

- o All Lean efforts (VSAs, RIEs, and Projects) throughout the Command connect to NAVSEA/PEO Value Streams. Conduct Lean training when needed, consistent with the deployment model.

- o Line of Business leads and Task Force Lean review past Lean efforts and report results where there is a potential to capture additional savings in FY05, 06, or 07 – by 1 March 2005.

- Task Force Lean work with CNI, N4 and CFFC to incorporate "lean" methods in industrial facilities ashore and afloat and reduce the industrial footprint by 30%. *(CNOG p.25)*

- Each Echelon 3 and 4 activity present their Lean Implementation Plan and accomplishments at their next Mission/Execution Review.

- Industrial facilities and labs: Working with CNO, N4 and ONR, achieve a 25% energy consumption reduction per gross square foot by 2010 relative to 1990. *(CNOG p.25)*

CAPTURING COST REDUCTIONS

A crucial component of our success in 2005 is the ability to identify and track cost reductions and eventually harvest the savings we generate through our efficiency and workforce shaping efforts. We have numerous initiatives underway through our efforts in Lean / Six-sigma, Human Capital Strategy, SEAPort Service Contracting, Shipyard Transformation, and Intelligent Targets. In 2005 we will track the cost reductions they generate using the Cost Reduction Disposition Process we initiated in 2004 which includes a multi-step process to (1) identify the cost reductions and (2) determine the nature and disposition of the actual savings across the Execution Year, Budget Years and POM Years. In the Execution Year, we plan for the organization that "owns" the dollars to determine the disposition of cost reductions and savings. Budget Year and POM Year cost reductions and savings will be determined as the Command, in dialogue with our Customers, matures Step (2) of the process in 2005.

The full process, which includes the critical action to make changes as appropriate to Program Elements and Budgeted Line Items, turns candidate cost reductions into real cost savings and allows us to develop the portfolio of specific cost reductions we will use to liquidate current and future Navy and DoD challenges. This harvesting of actual savings and return of dollars to customer accounts and Corporate Navy is crucial to our success in Task Force Lean, Human Capital Strategy, full adoption of SEAPort, and in all of our initiatives.

Guidance for Leaders:
- As Rapid Improvement Events and other cost savings actions are completed, Line of Business Leaders, Executive Leadership, and Value Stream Champions must ensure Cost Reduction Reports documenting the results of their action are completed and routed for approval. This is the crucial final step in any efficiency action.

IMPROVING & MEASURING PRODUCTIVITY

Just as our Human Capital Strategy implementation and Lean / Six-sigma efforts are inextricably linked, our efforts to improve productivity flow directly from both of these major initiatives. In 2005 we will continue to identify the best measures of productivity and develop metrics applicable to each level of business management and value stream. We will continue our analysis of outputs versus costs and make investment decisions based on customer need and return on investment. We will continue our regular review of Command Level metrics and we will continue to provide guidance on metrics reporting as appropriate.

As part of our continued self-assessment, we will conduct a third alignment assessment in September 2005 to measure our progress. We will report the results to the workforce and again highlight areas that require specific focus.

Critical to our success is effective performance of our prescribed functions in the most efficient and effective way possible. We must seek efficiencies in our day-to-day efforts as well as providing support for our large transformational efforts.

Guidance for Leaders:
- Using the Ownership Output Metric (OOM) methodology (see example in Figure 3), each Line of Business lead develop output metrics which, when aggregated, can be used to evaluate corporate and enterprise-wide business performance. Echelon II level metrics due May 2005. *(CNOG p.24).*
  - Initial output metrics due from each Line of Business on 1 March 2005.

SMCM Ownership Costs and ROI: AN/SQQ-32 Mine Hunting Sonar

The System

The AN/SQQ-32 is a variable depth mine hunting sonar on MCM & MHC ships. Two versions exist, one reflects 1980s technology, the other 1990s technology.

Rationale for AN/SQQ-32 HF/WB Investment

- HF / WB = High Frequency / Wide Band Sonar Improvement
- Key MIW metrics are time and risk
- Increased Area Coverage Rate (ACR) reduces time.
- Detects lower target strength mines reducing risk.

Ownership Output Metrics

Ao = Availability,
HRR = Human Resources (Contractor, Govt, Military)

$OOM1 = Ao / HRR = x$

$OOM2 = A_o / \text{Total cost} (\text{Material}_{cost} + HRR_{cost}) = y$

*Number of Civilians known, assumes 160 Sailors

Effectiveness improvements in terms of total cost

$E_{ff} = ACR/HRR_{new} / ACR/HRR_{old} = x$

(Plus detecting previously undetectable mines.)

$Eff = ACR/\text{Total Cost}_{new} / ACR/\text{Total cost}_{old} = y$
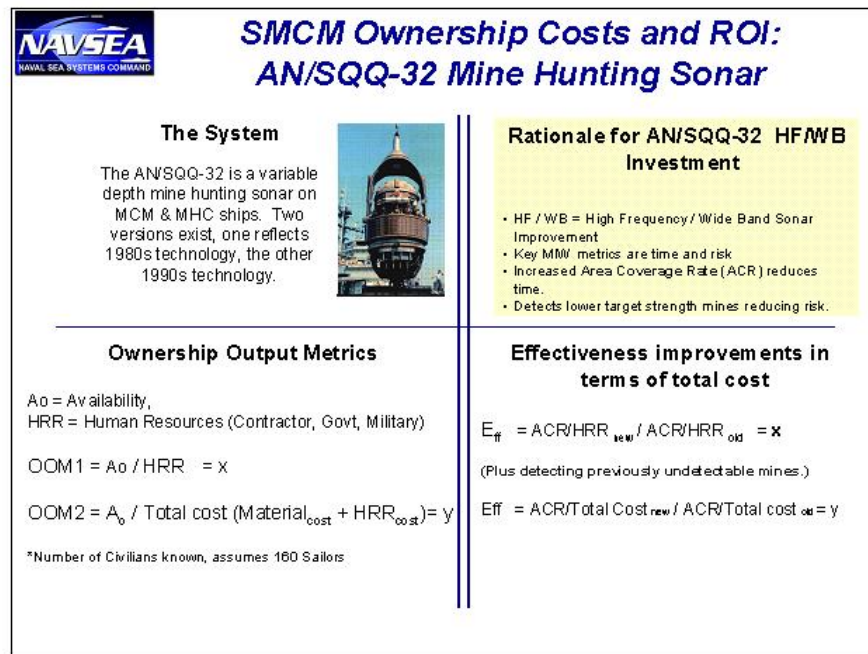
Figure 3

- SEA 03, in conjunction with the Virtual SYSCOM and CNETC, develop metrics to measure the success of HSI integration in the acquisition process – by 1 April 2005.

- In accordance with DoN guidance for management of Diminishing Manufacturing Sources and Material Shortages (DMSMS), all Program Managers of ACAT Programs with cognizance over embedded microelectronics are directed to:
  o Establish a formal DMSMS plan for all cognizant ACAT programs, covering all phases of the life cycle from program initiation through sustainment and disposal
  o Manage obsolescence at the piece part level for all active microelectronics
  o Ensure Performance Based Logistics (PBL) agreements address mitigation of DMSMS risk to the program and government
  - by July 2005. *(ASN(RD&A) memo of 27 Jan 2005)*

- SEA 03 continue to champion the universal adoption of Distance Support processes across Navy functions and communities. Support the Virtual SYSCOM in the installation of enterprise Customer Relationship Management solution across all SYSCOM Fleet Support Organizations. *(CNOG, p.17)*

- SEA 04 work with CFFC to review ship (preventative / routine / intermediate / depot) maintenance practices and quantify corresponding return on investment. Report on innovative ways to support FRP readiness while preserving safe and effective operations – by June 2005. *(CNOG, p.15)*

- SEA 04 assist CNI in developing an installations strategy that supports the "One Shipyard" Regional Maintenance Concept within the industrial base, and is aligned to add value to intermediate and depot sea frame, air frame, weapons and vehicle repair capabilities – by April 2005. *(CNOG, p.15)*

- All Line of Business Leads work with SEA 00D to develop and submit legislative proposals that will accelerate our transformation efforts and eliminate barriers to change in our Navy. Proposals that impact our budget should be submitted via the chain of command – by 15 February 2005. All other proposals should be submitted by 15 June 2005. *(CNOG, p.18)*

- SEA 05 and NSWC/NUWC coordinate with PEO LMW to support OPNAV N6/N7 who has the lead to survey and report on unmanned platforms that exist in other services or branches of the US government, or that are in near-term development (able to be deployed in experiments), and that provide potential capabilities to improve counter-terrorism and AT/FP effectiveness. Assist OPNAV N6/N7 in developing recommendations on needed FY05 and FY06 reprogramming measures to accelerate our nation's current advantages with these technologies - by April 2005. (*CNOG, p.17)*

- SEA 05 and Warfare Centers study and develop proposals for alternate propulsion methods for submarines and surface combatants - by July 2005. (*CNOG, p.19)*

- SEA 00I coordinate with NETWARCOM to realign Information Assurance Activities and resources into NETWARCOM, to support Navy Designated Approval Authority roles and responsibilities - by May 2005. (*CNOG, p.23*)

- SEA 00D ensure implementation of *Playbook 2005: Navy Strategic Communication Plan* throughout every level of our organization. (*CNOG, p.23*)

- SEA 00B coordinate development of the NAVSEA Corporate Business Plan with supporting human capital and information technology management elements. Plan should also address strategies for achieving Sea Enterprise objectives - by May 2005. (*CNOG, p.24*)

- SEA 00I refine and update the NAVSEA Information Management / Information Technology Business & Execution Plan to support development of the NAVSEA Corporate Business Plan – by 1 April 2005.

- SEA 00I coordinate with ACNO-IT to develop/synchronize enterprise approach to:
  o Enhance information technology portfolio management, aligned with OSD Business Management Modernization Program
  o Capitalize on investments to Navy information management infrastructure by consolidating servers Navy-wide and Migrating legacy networks to the enterprise solution (NMCI, IT-21 and/or BLII)
  o Develop/enforce IM/IT Navy-wide policy/standards
  o Establish IM/IT accountability/performance metrics
  o Achieve 90% Federal Information Security Management Act (FISMA) certification and accreditation for Mission Critical/Mission Essential systems in the DoN IT Registry
  - by May 2005. (*CNOG, p. 24*)

VIRTUAL SYSCOM

Much of our progress in 2004 was accomplished as a result of actions occurring across the Systems Commands. In 2005 we will continue to expand the Virtual SYSCOM's role in leading many of the necessary process and business improvements. Details of these initiatives will be outlined in the Virtual SYSCOM Guidance for 2005.

CONCLUSION

We have made significant progress on the journey of transformation and your efforts in building a strong foundation have been impressive. In doing so, you have delivered quality service to our Fleet while returning hundreds of millions of dollars in cost avoidance, cost reductions, and savings to our Navy. Even more important, you have positioned us well to meet the challenges in front of us, setting even greater standards in quality and efficiency. We must now move forward with continued dedication and vigilance to support our Navy and our nation as we bridge to the future.

ATTACHMENT

NAVSEA Lean Implementation Plan
Cover Memo
14 January 2005

DEPARTMENT OF THE NAVY
NAVAL SEA SYSTEMS COMMAND
1333 ISAAC HULL AVE SE
WASHINGTON NAVY YARD DC 20376-0001

IN REPLY TO

5200
Ser TFL/006
14 Jan 2005

From: Commander, Naval Sea Systems Command

Subj: TASK FORCE LEAN – NAVSEA LEAN IMPLEMENTATION PLAN;
          APPROVAL AND PROMULGATION OF

Ref: (a) NAVSEA Notice 5400 of 17 Aug 04
          (b) NAVSEA letter 5200 Ser TFL/005 of 19 Nov 2004

Encl: (1) NAVSEA Lean Implementation Plan

1. **Purpose:** This letter approves and promulgates the NAVSEA
Lean Implementation Plan. It is the roadmap for implementing
Lean Six Sigma principles at NAVSEA Headquarters, our associated
Program Executive Offices, our Shipyards and our Field
Activities.

2. **Background:** Phase Five of NAVSEA's Transformation is:
"Implement Lean Principles and Level Two Collaboration; Execute
the Human Capital Strategy." The Lean initiative creates a
Command-wide focus on the continuous improvement of our
productivity, efficiency, and effectiveness. It will build upon
current Lean efforts, and will expand and accelerate them in a
systematic fashion to make significant improvements in Command
output and costs. Reference (a) established Task Force Lean
(TFL) as a direct report to COMNAVSEA with cognizance over all
Lean activities throughout the Command.

3. **Discussion:** TFL has developed the NAVSEA Lean Implementation
Plan, enclosure (1), with input and involvement of Lean leaders
and experts throughout the Command and with the assistance of the
TFL contractor support experts. It spells out our goals and
objectives, vision, approach and methodology, roles and
responsibilities, contractor utilization, training requirements,
organization assessments, metrics, schedule, knowledge sharing,
replication, and communication strategies. It is based on a
proven method and approach that has worked in industry and other
military services. It relies on contractor Lean experts
initially, but quickly builds our internal expertise to become
self-sufficient. Reference (b) documents the TFL workshop held
with Lean leaders and experts across the Command to finalize the
Plan. In addition, all the NAVSEA and PEO Executive Leadership
are fully committed to this initiative as evidenced by the
concurrence below.

Subj: TASK FORCE LEAN - NAVSEA LEAN IMPLEMENTATION PLAN;
         APPROVAL AND PROMULGATION OF

The Plan is focused on achieving results. We have set an initial savings goal of $250M in FY07 above and beyond current intelligent targets to give Navy leadership more options in meeting future readiness requirements. We also need to reduce lead times for our products and services as we implement Lean thinking and shift our processes from batch and queue to flow and pull. We have focused our initial efforts on the Warfare Centers and Shipyards, but will quickly expand to cover all organizations through the NAVSEA Lines of Business and PEO business model. We have held our initial NAVSEA/PEO Executive Planning Session (EPS) and identified our initial high-level value streams for Lean efforts. We will further develop the value streams and align all Lean efforts throughout the Command.

Leadership is the key to success of our Lean implementation. I am personally engaged and expect the same from all leaders throughout the Command. Our Plan starts with Executive Leaders being personally involved in EPSs and in charge of Lean efforts and results in their value streams. Our Plan also gives us a standard approach with standard terminology and structure, which is critical for sharing results and working collaboratively. Our Plan will form the cornerstone of my 2005 Commander's Guidance and will be updated as necessary as we learn by doing and align with other Navy organizations.

4. **Action:** The NAVSEA Lean Implementation Plan contained in enclosure (1) is approved and promulgated for implementation at all NAVSEA Headquarters and Field Activities. PEOs are full partners in the NAVSEA Lean initiative and are also included in this Plan. I expect it to be implemented throughout the Command without delay and request all organizations to provide me a report within a month of the date of this letter on how the Plan is being implemented. Periodic follow-on reports are required and should include achievements as well as shortcomings that require action by the NAVSEA and PEO leadership.

P. M. BALISLE

Subj: TASK FORCE LEAN – NAVSEA LEAN IMPLEMENTATION PLAN;
        APPROVAL AND PROMULGATION OF

Concurrence:

Mr. C. W. Burrows SEA 08   Mr. P. F. Brown 00B

RADM A. W. Lengerich SEA 09   CAPT E. R. Jablonski SEA 01

CAPT R. F. Sweeney SEA 02   Mr. G. L. Maxwell SEA 03

RADM W. R. Klemm SEA 04   RADM P. E. Sullivan SEA 05

RDML A. M. Macy SEA 06/NSWC   RDML W. S. Timme SEA 07

Ms. R. P White SEA 10   RDML S. E. Johnson NUWC

Mr. J. F. Brice SEA TFL   Ms. B. P. Flynn SEA TFTF

Ms. S. J. Bourbeau SEA 00I   Ms. R. D. Lewis SEA 00L

RADM P. V. Shebalin SEA 00R   RADM D. M. Dwyer PEO CV

RADM C. T. Bush PEO IWS   RDML W. E. Landay PEO LMW

RADM C. S. Hamilton PEO Ships   RADM J. D. Butler PEO Subs

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